Government of Saskatchewan

Financial Statement 2000-01

Saskatchewan Learning Resources Distribution Centre

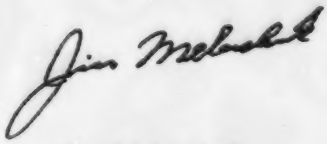
Letter of Transmittal

The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit for your consideration the Financial Statements of the Saskatchewan Learning Resources Distribution Centre for the year ending March 31, 2001.

Respectfully submitted:



Jim Melenchuk
Minister of Education

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION

CENTRE REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2001

SASKATCHEWAN

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 2001 and the statements of operations and accumulated operating surplus/deficit, and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 29, 2001

Fred Wendel, CMA, CA
Acting Provincial Auditor

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

	2001	2000
Current assets:		
Petty cash	$ 2,100	$ 2,100
Accounts receivable	243,291	229,023
Prepaid expenses	3,277	2,558
Inventories	1,883,579	2,234,111
	2,132,247	2,467,792
Capital assets (Note 5)	142,332	247,760
	$ 2,274,579	$ 2,715,552

LIABILITIES AND EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$ 52,889	$ 29,433
Customers' deposits and credits	60,159	7,282
	113,048	36,715
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	2,714,728	3,154,042
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	(553,197)	(475,205)
	$ 2,274,579	$ 2,715,552

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	2001		2000
	Actual	Budget (Note 10)	Actual
Revenue:			
Sales	$3,044,600	$3,200,000	$3,021,018
Less: Cost of goods sold	2,784,749	2,752,000	2,824,486
Gross profit	259,851	448,000	196,532
Refund of previous year's expenditure	-	-	658
Other income	71	30	207
WCP Project revenue (Note 12)	129,192	235,000	211,693
	389,114	683,030	409,090
Operating expenses:			
Salaries	389,938	365,000	374,312
Amortization	115,832	100,000	112,226
Postage	58,838	52,000	45,698
Office and warehouse expense	36,680	45,000	30,848
Computer support and maintenance	54,086	50,000	41,480
Freight and express out	3,263	10,000	6,700
Other	12,025	14,300	12,464
WCP Project expenses (Note 12)			
Salaries	36,217	85,000	81,110
Audio-visual equip.,off.equip.rental,etc	22,233	45,000	31,353
Building rental	50,315	60,000	50,495
Office expense, etc.	12,884	45,000	26,331
	792,311	871,300	813,017
Net income/(loss) from operations	(403,197)	(188,270)	(403,927)
Recovery from General Revenue Fund (Note 4)	325,205	179,193	-
Net income/(loss) (Note 13)	(77,992)	(9,077)	(403,927)
Accumulated operating surplus/(deficit) beginning of year	(475,205)	(329,193)	(71,278)
Accumulated operating surplus/(deficit) end of year - to Statement 1	$ (553,197)	$ (338,270)	$ (475,205)

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2001	2000
Financing (provided by) required for operating activities:		
Net (income)/loss	$ 77,992	$ 403,927
Items not affecting working capital:		
Amortization	(115,832)	(112,226)
Net increase/(decrease) in working capital items related to operations (Note 7)	(413,102)	(209,476)
	(450,942)	82,225
Financing required for investing activities		
Purchase of capital assets	10,404	22,317
Net increase/(decrease) in financing requirements	(440,538)	104,542
Assets transferred to Revolving fund at no cost during year (Note 9)	1,224	461
Accumulated net expenditure, beginning of year	3,154,042	3,049,039
Accumulated net expenditure, end of year - to Statement 1	$ 2,714,728	$ 3,154,042

(See accompanying notes to the financial statements)

SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2001

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund (LRDC). The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Education for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Education.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Basis of Accounting

The accounts are maintained on an accrual basis of accounting.

b) Net Cash Expenditure/(Recovery)

The net cash expenditure/(recovery) is the cash from /(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.

ii) Net cash expenditure/(recovery) for each fiscal year; and

iii) The book value of assets acquired at no cost from another government agency.

d) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquisition value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquisition value.

e) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

f) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. For the 1997 to 2001 years, the retail list price of publications was based on invoice cost plus up to 16.5%.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at $4,000,000.

4. Accumulated Operating Surplus/Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit of the Learning Resources Distribution Centre Revolving Fund is $150,000.

5. Capital Assets

	2001			2000
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office Equipment	$ 4,553	$ 4,546	$ 7	$ 74
Warehouse Equipment	66,679	54,201	12,478	17,097
Computer Software	271,431	266,145	5,286	5,203
Computer Equipment	440,659	316,098	124,561	225,386
	$ 783,322	$ 640,990	$ 142,332	$ 247,760

Amortization provided in the financial statements for the current year amounted to $115,832 (2000 - $112,226).

6. **Costs Borne by Other Agencies**

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. **Net Change in Working Capital Items Related to Operations**

	2001	2000
Increase/(Decrease) in accounts receivable	$ 14,268	$ (69,269)
Increase/(Decrease) in prepaid expenses	719	(1,219)
(Decrease) in inventories	(351,756)	(200,262)
(Increase)/Decrease in accounts payable	(23,456)	48,517
(Increase)/Decrease in customers' deposits	(52,877)	12,757
	$ (413,102)	$ (209,476)

8. **Related Parties**

These financial statements include transactions with related parties. The LRDC Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. **Transfer of Inventory**

The Department of Education transferred inventory items valued at $1,224 (2000 - $461) to the Revolving Fund at no cost.

10. **Budget**

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. **Financial Instruments**

The Revolving Fund's financial instruments include accounts receivable, accounts payable and accrued liabilities, and customers' deposits and credits. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. Western Canadian Protocol Project

Western Canadian Protocol for Collaboration in Basic Education – Manitoba Education and Training has contracted Saskatchewan Education to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration.

13. Amount Reported in Public Accounts

The net financing requirement of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving fund and the General Revenue Fund:

	2001	2000
Net income/(loss)	$ (77,992)	$ (403,927)
Decrease in inventory balance	350,532	199,801
Decrease in net capital assets	105,428	89,910
Amounts not included in Public Accounts, due to timing	(4,689)	64,973
Recovery/(Net financing requirement), reported in the Public Accounts	$ 373,279	$ (49,243)